



MTHONJANENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended
30 June 2005

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 43, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Municipal Manager

25-7-2005



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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Alderman T J Dolkens	- Mayor
Councillor D Dlamini	- Deputy Mayor
Councillor D T Dlamini	- Speaker

Councillor N Biyela
Councillor N Biyela (Miss) (Passed away 27/3/2005)
Councillor D Leitch
Councillor W Myeza
Councillor H Nxumalo
Councillor P Nxumalo
Councillor D Shange
Councillor W Zulu

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor-General

BANKERS

First National Bank

REGISTERED OFFICE

21 Reinhold Street
MELMOTH

P O Box 11
MELMOTH
3835

Telephone : 035-450 2082

MUNICIPAL MANAGER

F A Els

MANAGER : FINANCE

R A Sefton : Registered Municipal Accountant

APPROVAL OF FINANCIAL STATEMENTS

The Annual financial statements set out on pages 1 to 43 were approved by the Municipal Manager on 25-7-2003 and will be presented to and approved by Council on 7-9-2003.



MUNICIPAL MANAGER



MANAGER FINANCE

Qualifications: BA(Law)
B Juris

Qualifications: Matric
26 Years Financial Experience

REPORT OF THE CHIEF FINANCIAL OFFICER

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2005 are as follows:

	Actual 2004	Actual 2005	Variance 2004/2005	Budget 2005	Variance Budget Actual
	R	R	%	R	%
INCOME					
Opening Surplus	6 817 373	5 227 712			
Operating Income for the year	14 490 167	18 713 973	29	19 036 460	1.69
Sundry Transfers		4 975 858			
Closing Deficit					
	21 307 540	28 917 543		19 036 460	

	Actual 2004	Actual 2005	Variance 2004/2005	Budget 2005	Variance Budget Actual
	R	R	%	R	%
EXPENDITURE					
Operating Expenditure for the year	13 915 803	17 740 876	27.5	18 972 800	6.49
Sundry Transfers	2 164 025	17 076			
Closing Surplus	5 227 712	11 159 591			
	21 307 540	28 917 543			

The increase in operating income and operating expenditure by 29% is due to the increase in grant funding.

The variance on Expenditure between actual and budget of 6.49% was recorded.

The variance on Income between actual and budget of 1.69 was recorded.

1.1 Rate and General Services

	Actual 2004 R	Actual 2005	Variance 2004 / 2005 %	Budget 2005 R	Variance Budget Actual %
Income	10 594 862	13 990 884	32	14 293 230	2.12
Expenditure	10 178 309	13 425 182	32	14 253 510	5.81
Surplus (deficit)	416 553	565 702		39 720	
Surplus (deficit) as % of Total Income	39.3	35.8			

1.2 Trading Services

The prices for the purchase of electricity as well as postal and telecommunication charges, salaries and wages are subject to administered adjustments. The following is a summary of the operating results of the Mthonjaneni Municipality Trading Services:

Electricity Service

	Actual 2004 R	Actual 2005 R	Variance 2004 / 2005 %	Budget 2005 R	Variance Budget Actual %
Income	3 895 305	4 723 089	21.3	4 743 230	0.4
Expenditure	3 737 494	4 315 694	15.47	4 719 290	8.55
Surplus (deficit)	157 811	407 395		23 940	
Surplus (deficit) as % of Total Income	4.05	8.63			

Equitable share was increased from R4 321 000 to R7 684 719 (78%) during the 2004/2005.

Resources used to finance the fixed assets were as follows:

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R2 277 271.

	Actual 2005	Budget 2005	Actual 2004
	R	R	R
Roads			229 842
Building	1 000 000	1 000 000	
Other Infrastructure	287 885	290 000	233 403
Other Fixed Assets	14 938	21 000	1 464 774
Vehicles	860 796	870 000	549 000
	2 163 619	2 181 000	2 477 019

1) Donation / Grant of fixed Assets received:

Office Equipment and Furniture 113 652 113 652

2) Contribution from Operating Income 2 163 619
 2 277 271

Operating Capital Budget 2005 = 2 163 619
 Donations / Grants Budget 2005 = 113 652
 2 277 271

	Actual 2005	Actual 2004
	R	R
Contribution from Operating Income	2 163 619	2 477 020
Grants and Subsidies	113 652	278 074
	2 277 271	3 090 158

3. FUNDS, RESERVES AND PROVISIONS

The movement regarding accumulated funds, reserves, trust funds and provisions is given in appendix A.

4. APPRECIATION

I would like to thank the mayor and members of the Executive Committee and other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of appreciation to the personnel of the Finance Department for their continual commitment.


MRS R A SEFTON
CHIEF FINANCIAL OFFICER

Date : 16 July 2005

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

1. BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared in accordance with Generally Recognised Accounting Practice issued by the Accounting Standards Board in accordance with Sections 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets, detailed in accounting policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis:
 - Income is accrued when measurable and available to finance operations. Certain direct income recorded when received, such as traffic fines and certain licences.
 - Expenses is accrued in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes the Rate and General Services, Trading Services and the different funds, reserves and provisions. All inter departmental charges are set-off against each other, which are treated as income and expenditure in the respective departments.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Fixed Assets are stated:

at valuation (based on the market value price at date of acquisition), where assets have been acquired by grant or donation. While they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

3.2 Property, Plant and Equipment

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated assets, defined as culturally significant resources, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	<u>Years</u>	<u>Other</u>	<u>Years</u>
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
		Specialized plant and equipment	10-15
Community		Other items of plant and equipment	2-5
Improvements	30		
Recreational Facilities	20-30		
Security	5		
Investment Properties	30		

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

- 3.3 Capital assets are financed from different sources, including external loans, operating income, accumulated surplus.
These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances.

- 3.4 Capital assets sold or disposed of, the net proceedings will be used to finance further capital assets.

4. INVENTORY

Inventory is valued at the lower of cost determined on the weighted average basis, and net realisable value.

5. ACCUMULATED SURPLUS

Provision can be made from the accumulated surplus for future capital projects included in the integrated development plan, infrastructure and other items of property plant and equipment.

6. RETIREMENT BENEFITS

Melmoth and its employees contribute to R.S.A. Municipal Pension Fund and Councillors contribute to the Municipal Councillors Pension Fund which provides retirement benefits to such employees and Councillors.

The retirement benefit plan is subject to the Pensions funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Favourable experience adjustments are retained in the retirement benefit plan.

Full actuarial valuations are performed at least every three months.

7. SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of the Electricity are retained in that service for its own use.

8. INVESTMENTS

Investments are shown at the lower cost or market value if a permanent decline in the value occurred, and are invested in terms of Municipal Systems Act of 2000.

9. REVENUE RECOGNITION

9.1.1 Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale and not when prepaid electricity is consumed.

Revenue from the sale of goods is recognized when the risk is passed to the consumer. Revenue arising from the application of the approved tariff of charges is generally recognized when the relevant service is rendered. Interest and rentals are recognized on a time proportion basis. Revenue from spot fines is recognized when payment is received, and the revenue from the issuing of summonses is only recognized when collected. Government grants are recognized as revenue when all conditions associated with the grant have been met. Where grants have been received but the municipality has not met the condition, a liability is raised. Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are also recognized as revenue.

- 9.2 Pensioners who own and occupy rateable property whose joint gross monthly income does not exceed the amounts set out hereunder shall qualify for the rebates reflected:

Joint Gross Monthly Income	Rebate
0 – 2 500	90 %
2 501 – 3 000	80 %
3 001 – 4 000	70 %
4 001 – 4 500	50 %

- 2 Pensioners who own but do not occupy rateable property whose joint gross monthly income does not exceed the amount set out hereunder shall qualify for the rebate reflected:

Joint Gross Monthly Income	Rebate
0 – 1 500	20 %

10. PROVISIONS

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy. That the leave provision in the estimates of income and expenditure be equal to at least the total cash value of accrued annual leave of all employees as at the end of February in any financial

11. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down with regard to their estimated economic or realizable values. Consumables are written down with regard to their age, condition and utility.

12. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

MTHONJANENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2005

	Note	2005 R	2005 R	2004 R	2004 R
ASSETS					
Current Assets					
Cash and cash equivalents	11	2 788 417		4 267 658	
Receivables Consumer debtors	9	1 826 131		1 483 344	
Receivables Other	10	336 302		356 179	
Inventory	8	209 627		136 240	
Current portion of long term loans	7	7 066		87 281	
			5 167 543		6 330 702
Non current assets					
Investments	6	9 739 000		9 739 000	
Infrastructure, plant and equipment	5	11 437 950		10 898 814	
Land and buildings	5	5 037 902		4 037 902	
Non current loans	7	60 655		218 436	
			26 275 507		24 894 152
Total Assets			<u>31 443 050</u>		<u>31 224 854</u>
LIABILITIES					
Current Liabilities					
Payables	4	3 157 326		5 444 114	
Provisions	3	157 764		160 967	
Employee Benefits	3	83 848		92 791	
			3 398 938		5 697 872
Non Current Liabilities					
Payables	2	408 670		386 696	
			408 670		386 696
Total Liabilities			3 807 608		6 084 568
Net Assets			<u>27 635 442</u>		<u>25 140 286</u>
NET ASSETS					
Capital contributed by other government entities					
Reserves		16 475 851			
Accumulated surpluses /(deficits)	1	<u>11 159 591</u>	27 635 442		25 140 286
Minority interest					
Total Net assets			<u>27 635 442</u>		<u>25 140 286</u>

(Note : The Statement of Financial Position has been prepared in accordance with GRAP 1)

MTHONJANENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2005

FOR THE YEAR ENDED 30 JUNE 2005				
Budget		Note	Actual	
2004 R	2005 R		2005 R	2004 R
REVENUE				
2887 721	3 018 900	Property rates	2 901 002	2 719 506
115 000	110 000	Property rates - penalties imposed and collection charges	214 609	173 461
3922 000	4 516 000	Service charges	4 564 744	3 503 044
243 200	291 000	Rental of facilities and equipment	300 996	248 408
700 000	680 000	Interest earned - external investments	941 091	624 042
400 000	610 000	Fines	149 504	253 136
1100 000	1 810 000	Licences and permits	1 572 952	1 477 682
4590 000	7 713 000	Government grants and subsidies	7 684 719	4 549 213
139 940	287 560	Other income	384 356	4 444 719
14097 861	19 036 460	Total Revenue	18 713 973	14 490 167
EXPENDITURE				
4 478 030	6 193 310	Employee related costs	5 932 224	4 448 440
818 100	832 500	Remuneration of Councillors	641 389	624 949
25 000	20 000	Collection costs	21 748	43 407
849 650	1 036 700	Repairs and maintenance	1 005 721	774 918
2 309 000	3 052 360	Bulk purchases	2 706 960	2 780 497
4 239 398	5 812 340	Service charges	5 392 838	4 689 011
1 141 608	1 900 590	General expenses - other (including abnormal expenses)	1 914 996	344 581
210 000	125 000	Contributions to provisions	125 000	210 000
14 070 786	18 972 800	Total Expenditure	17 740 876	13 915 803
27 075	63 660	NET SURPLUS/(DEFICIT) FOR THE YEAR	973 097	574 364
Refer to Appendix E(1) for explanation of variances				

(Note : The income statement has been prepared in accordance with GRAP 1 and the budget formats)

STATEMENT OF CHANGES IN COMMUNITY WEALTH FOR THE YEAR ENDED 30 JUNE 2005

	<u>Capitalisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Donations and Public Contribution Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R
Balance at 30 June 2004/2005		8 078 627	6 858 089	10 203 570	25 140 286
Refund - Land Sale				(17 075)	(17 075)
Correction - Source	6 006 219	790 121	(6 796 340)	0	0
Net surplus for the year				973 096	973 096
Transfer to CRR			0	0	0
Property, plant and equipment purchased	2 163 619	113 652			2 277 271
Capital grants used to purchase PPE					
Donated/ contributed PPE					
Contributed to Insurance Reserve					
Insurance claims processed					
Transfer to Housing Development Fund					
Asset disposals					
Offsetting of depreciation	(14 9667)	(577 408)	(11 061)		
Balance at 30 June 2005	8 020 171	8 404 992	50 688	11 159 591	27 635 442

MTHONJANENI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		22 062 828	20 723 867
Cash paid to suppliers and employees		22 340 994	19 175 151
Cash generated from operations	20	(278 166)	1 548 716
Interest received		941 091	624 042
Interest paid			0
NET CASH FROM OPERATING ACTIVITIES		662 925	2 172 758
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2 163 619)	(3 090 158)
Proceeds on disposal of fixed assets		0	0
Decreases in non-current loans		0	84 230
Increases in investments		0	0
NET CASH FROM INVESTING ACTIVITIES		(2 163 619)	(3 005 928)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		0	0
Increase in consumer deposits		21 974	(674)
Increase in Trust Fund		0	0
NET CASH FROM FINANCING ACTIVITIES		(1 478 720)	(674)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4 267 137	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	2 788 417	2 172 758

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

2005	2004
R	R

1. ACCUMMULATED SURPLUSES

Rate and General	6 910 525	17 174 181
Electricity	4 249 066	7 966 104
Total Reserves	11 159 591	25 140 285

The Asset Financing Reserves are fully invested in ring-fenced financial instrument investments.

2. CONSUMER DEPOSITS

Electricity	356 051	339 760
Other	52 619	46 936
Total Consumer Deposits	408 670	386 696

Consumers who do not own the property are required to pay a deposit equating to two months consumption of electricity service.

3. CURRENT PROVISIONS

Leave	83 848	92 791
Bad Debts	157 764	160 967
Total Provisions	241 612	253 758

4. CREDITORS

Trade creditors	1 240 274	966 742
Payments received in advance	1 917 252	1 721 181
Uthungulu District Municipality	0	2 756 191
Other creditors	0	0
Total Creditors	3 157 326	5 444 114

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

5. PROPERTY, PLANT AND EQUIPMENT

30th June 2005

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying values At 1 July 2004	253 195	8 016 577	3 775 050	2 891 894	14 936 716
Acquisitions		435 885	1 000 000	841 386	2 277 271
Depreciation					
- based on cost		(183 517)		(55 4619)	(73 8136)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Impairment losses					
Other movements					
Carrying values At 30 June 2005					
Cost					
Revaluation					
Accumulated depreciation					
- Cost	253 195	8 268 945	4 775 050	3 178 661	16 475 851

Refer to Appendix B for more detail on property, plant and equipment.

6. INVESTMENTS

	2005 R	2004 R
<u>Financial Instruments</u>		
Short Term Deposits	7 739 000	7 739 000
Call Deposits	2 000 000	2 000 000
Total	9 739 000	9 739 000

7. NON-CURRENT LOANS

Car loans	0	207 717
Melmoth Golf Club	67 721	74 197
Land Sales	0	23 803
	67 721	305 717
Less : Current portion transferred to current receivables	7 066	87 281
Car loans	0	80 215
Melmoth Golf Club	7 066	7 066
Land Sales	0	0
Total Non-Current Loans	60 655	218 436

Loan to the Golf Club will be repaid in full by 2015

8. INVENTORY

Inventory represents consumable store and raw materials at cost	209 627	136 240
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MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
9.CONSUMER DEBTORS		
Service debtors	1 826 131	1 483 344
Rates	1 231 833	1 022 392
Electricity	420 689	345 731
Water	0	0
Sewerage	0	0
Refuse	173 609	115 221
Less : Provision for bad debts	157 764	160 967
Total	1 668 367	1 322 377

Rates: Ageing

Current (0 – 30 days)	0	12 734
31 - 60 Days	19 945	8 180
61 - 90 Days	22 411	8 042
91 - 120 Days	1 189 477	9 93 436
Total	1 231 833	1 022 392

(Electricity, Refuse): Ageing

Current (0 – 30 days)	351 279	300 926
31 - 60 Days	43 032	7 772
61 - 90 Days	8 425	7 951
91 - 120 Days	191 562	144 303
Total	594 298	460 952

Summary of Debtors 30 June 2005

	<u>Consumers</u>	
	R	
Current (0 – 30 days)	351 279	313 660
31 - 60 Days	62 977	15 952
61 - 90 Days	30 836	15 993
91 - 120 Days	1 381 039	1 137 739
Sub-total	1 826 131	1 483 344
Less: Provision for bad debts	157 764	160 967
Total debtors by customer classification	1 668 367	1 322 377

10. OTHER DEBTORS

Sundry Debtors	336 302	356 179
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MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
The Municipality has the following bank accounts:		
<u>11. Current Account (Primary Bank Account)</u>		
First National Bank - Melmoth Account Number 54980006117		
Cash book balance at beginning of year	4 267 658	2 094 900
Cash book balance at end of year	2 787 896	4 267 658
Bank statement balance at beginning of year	5 272 302	2 369 005
Bank statement balance at end of year	3 375 300	5 272 302
Cash on hand – Petty cash	521	

12. PROPERTY RATES

Actual

Residential	1 686 055	1 580 627
Commercial	587 553	550 814
State	617 681	578 959
Municipal	9 713	9 105
Total	2 901 002	2 719 506

Valuations

	<u>July 2004</u>	<u>July 2003</u>
	R 000's	R 000's
Residential	54 652	54 803
Commercial	20 554	20 554
State	26 355	26 355
Municipal	316	316
Total Property Valuations	101 877	102 028

Revaluation of the Mthonjaneni area will go out to tender during 2004/2005. The last valuation came into effect on 1 July 1997. No intrims were carried out during 2004/2005 valuator passed away. Municipal valuator has been appointed 1 July 2005. In terms of section 33 of Municipal Property Rates Act 2004. A general rate of 6.98c/R on Land - Building 2.47c/R (2003: 6.65c/R and 2.35c/R) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state owned property Rates are levied on an annual basis with the final date of payment being 28 February 2005. Interest at 18% per annum is levied on outstanding rates as well as a 10 % collection charge two months after final date of payment. Pensioners received a rebate according to their income.

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
13. SERVICE CHARGES		
Sale of electricity	3 940 859	2 999 338
Refuse removal	623 885	503 706
Total Service Charges	4 564 744	3 503 044
14. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	7 092 764	4 354 495
Finance Management	250 000	0
Provincial health subsidies	341 955	309 213
CMIP Grant	0	0
Total Government Grant and Subsidies	7 684 719	4 663 708

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R90 (2004: R90.00), which is funded from this grant.

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
Provincial Health Subsidies		
Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote (see Appendix D)	<u>341 955</u>	<u>309 213</u>
Conditions met - transferred to revenue		

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services.

The conditions of the grant have been met. There was no delay or withholding of the subsidy

15. OTHER INCOME

Sale of housing	0	0
Other income	<u>384 356</u>	<u>941 675</u>
Total Interest Income		

16. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	5 092 888	4 448 440
Employee related costs - Allowances	112 197	
Employee related costs - Pension	393 312	
Employee related costs - Medical Aid	179 844	
Employee related costs - UIF	35 903	
Employee related costs - Performance Bonus	<u>118 080</u>	
Total Employee Related Costs	<u>5 932 224</u>	

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
<i>17. Remuneration of the Municipal Manager</i>		
Annual Remuneration (4 Days a week)	416 292	385 992
Performance Bonuses	61 758	0
Total	478 050	385 992

Remuneration of the Chief Finance Officer

Annual Remuneration	373 460	346 277
Performance Bonuses	56 322	26 328
Car Allowance	0	0
Total	429 782	372 605

REMUNERATION DIRECTOR CORPORATE SERVICES

Annual Remuneration (employed August 2004)	352 997	0
Performance Bonus	0	0
Total	352 997	0

18. REMUNERATION OF COUNCILLORS

	2005	2004
Mayor	67 067	81 885
Deputy Executive Mayor	53 654	66 067
Speaker	53 654	66 067
Mayoral Committee Members	0	0
Councillors	207 902	275 448
Councillors' pension contribution + Medical Aid + Allowances	259 112	135 481
Total Councillors' Remuneration	641 389	624 948

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Committee Members are part-time. They are provided with an office and secretarial support at the cost of the Council. M.E. Biyela passed away March 2005.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are in accordance with the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with that Act.


Signed: Municipal Manager

MTHONJANENI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 R	2004 R
19. BAD DEBTS		
Contribution to the bad debt provision	65 000	60 000
Bad debts written off	68 204	13 171
Total Bad Debts	(3204)	46 829
BULK PURCHASES		
Electricity	2 706 960	2 780 497
Total Bulk Purchases	2 706 960	2 780 497
20. CASH GENERATED BY OPERATIONS		
Net surplus for the year	973 097	574 364
Adjustment for:-	0	0
Depreciation	0	0
gain on disposal of property, plant and equipment	0	0
Contribution to provisions - non-current/ Expenditure Against Provisions	0	0
Contribution to provisions - current	60 000	150 000
Contribution to bad debt provision	65 000	60 000
Investment income	(941 091)	(3 060 846)
Interest paid	0	0
Operating surplus before working capital changes:	157 006	(2 276 482)
Increase in inventories	(73 387)	55 506
Increase in debtors	(342 787)	(32 870)
Decrease in provisions	(12 146)	0
Decrease in other debtors	200 016	0
Increase in conditional grants and receipts	3 021 011	45 035
Decrease in creditors	(2 286 788)	3 757 527
Cash generated by operations	662 925	1 548 716
21. CASH AND CASH EQUIVALENTS		
Balance at the end of the year	2 788 417	4 267 658
Balance at the beginning of the year	4 267 658	2 094 900
Net increase/(decrease) in cash and cash equivalents	(1 478 720)	2 172 758

MTHONJANENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
22. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>Contributions to SALGA</u>		
Opening balance	0	0
Council subscriptions	7 812	3 390
Amount paid - current year	(7 812)	(3 390)
Amount paid - previous years	0	0
Balance unpaid	<u>0</u>	<u>0</u>
<u>Audit fees</u>		
Opening balance	0	0
Current year audit fee	65 000	83 638
Amount paid - current year	(65 000)	(83 638)
Amount paid - previous years	0	0
Balance unpaid	<u>0</u>	<u>0</u>
VAT		
VAT is payable on the invoice basis.	0	0
All VAT returns have been submitted by the due date throughout the year.		
May and June 2005 have been brought to account.		
<u>PAYE and UIF</u>		
Opening balance	0	0
Current year payroll deductions	808 687	737 774
Amount paid - current year	(808 687)	(737 774)
Amount paid - previous years	0	0
Balance unpaid	<u>0</u>	<u>0</u>
<u>Pension and Medical Aid Deductions</u>		
Opening balance	0	0
Current year payroll deductions and Council Contributions	1 562 339	1 057 080
Amount paid - current year	(1 562 339)	(1 057 080)
Amount paid - previous years	0	0
Balance unpaid	<u>0</u>	<u>0</u>

MTHONJANENI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

23. During the year the following Councillors' had arrear accounts outstanding for more than 90 days

30th June 2005

	2005 R	2004 R
<u>Highest</u> <u>Amount</u> <u>Outstanding</u>		
	0	0

24. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved but not yet contracted for

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

Total

	567 632	490 347
	567 632	490 347

This expenditure will be financed from:

- External Loans

- Asset Financing Reserve

- Government Grants

- Internal Cash

- District Council Grants

	567 632	490 347
	567 632	490 347

25. RETIREMENT BENEFITS

The last Interim Valuation of the Municipal Superannuation Fund, Provident Fund and Retirement Fund was done: 1(Superannuation 31 March 2003 =

2(Provident Fund 31 March 2003 =

3(Retirement Annuity 31 March 2001 =

R78,4 R'm	26 705 000
R145,406 R'm	13 150 000
R224,155 R'm	103 431 000

An amount of R794 916 (2004:R794 619) was contributed by staff and council in respect of retirement funding. The council contributions have been expensed.

APPENDIX A

ACCUMULATED FUNDS, RESERVES AND PROVISIONS

	Balance at 30.06.2004	Contributions during the year	Other Income	Expenditure during the year	Transfers	Balance 30.06.2005
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ACCUMULATED FUNDS

Capitalisation reserve	6 006 219	2 163 619		149 667		8 020 171
Govt. Grant reserve						
Donations & Public reserve	8 868 748 61 749	113 652		577 408 11 061		8 404 992 50 688
Accumulative surplus	10 203 569		973 097	17 075		11 159 591
	25 140 285	2 277 271	973 097	755 211		27 635 442

PROVISIONS

Leave	92 791	60 000	42 663	111 606		83 848
Bad Debts	160 968	65 000		68 204		157 764
	253 758	125 000	42 663	179 810		241 612

26

26

[illegible]

APPENDIX B

MTHONJANENI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2005

	Cost				Accumulated Depreciation				Carrying Value	Budget Additions 2005
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Other Assets										
and	9 657				9 657				0	9 657
buildings										
and fill sites	143 630				143 630				0	143 620
Office Equipment	91 455	104 206			195 661		28 125		28 125	120 000
Furniture & Fittings	122 244	24 384			146 628		12 224		12 224	25 000
bins and Containers	39				39		8		8	31
Emergency Equipment	25 224				25 224		1 776		1 776	23 448
Motor Vehicles	343 941	712 796			1 056 737		46 874		46 874	720 000
Refuse Tractors	595 051				595 051		39 670		39 670	555 381
Computer equipment	100 377				100 377		9 779		9 779	90 598
Plant and Equipment	1 460 276				1 460 276		416 163		416 163	1 044 113
	2 891 894	841 386			3 733 280		554 619		554 619	3 178 661
	14 936 716	2 277 271			17 213 987		738 136		738 136	2 305 000

EXPLANATORY NOTES: APPENDIX B

This Appendix sets out more information on Property, Plant and Equipment.
 It serves as the reconciliation of Property, Plant and Equipment referred to in GAMAP 17.
 The latest approved budget must also be included in this Appendix as illustrated.

MTHONJANENI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2005

	Cost				Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council										
Finance & Admin	1 882 513	1 128 590			3 011 103		427 300		427 300	2 583 803
Planning & Development	2 031 286				2 031 286		30 513		30 513	2 000 773
Health	656 356				656 356		0		0	656 356
Community & Social Services	807 699				807 699		0		0	807 699
Housing	253 195				253 195		0		0	253 195
Public Safety	253 953				253 953		10 262		10 262	243 691
Sport & Recreation	815 559				815 559		0		0	815 559
Public Improvement Fund	9 657				9 657		0		0	9 657
Waste Management	209 921				209 921		0		0	209 921
Road Transport	3 892 145	712 796			4 604 941		86 544		86 544	4 518 397
Sub-Total	10 812 284	1 841 386			12 653 670		554 619		554 619	12 099 051
Electricity	4 124 432	435 885			4 560 317		183 517		183 517	4 376 800
Total	14 936 716	2 277 271			17 213 987		738 136		738 136	16 475 851

EXPLANATORY NOTES: APPENDIX C

This is a segmental analysis of Property, Plant and Equipment. The standard GFS classifications set out in the Budget Reforms have been used. However, the segments used can be the organisational structure of the Municipality.

The totals of Appendix C must agree to those in Appendix B.

APPENDIX D

MTHONJANENI LOCAL MUNICIPALITY : SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual Income R	2004 Actual Expenditure R	2004 Surplus/ (Deficit) R		2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R
2 719 506	0	2 719 506	Assessment Rates	2 901 002	0	2 901 002
2 301 055	3 107 617	(806 562)	Finance & Admin	4 418 641	5 658 854	(1 240 213)
			Planning & Development	0	0	0
309 213	353 833	(44 620)	Health	341 955	389 806	(47 851)
2 568 408	4 079 039	(1 510 631)	Community & Social Services	3 260 000	4 141 138	(881 138)
			Housing	0	0	0
1 719 725	1 576 215	203 510	Public Safety	1 764 226	1 873 324	(109 098)
2 999	187 220	(184 221)	Sport & Recreation	4 686	196 280	(191 584)
70 000	33 529	36 471	Environmental Protection	80 000	88 635	(8 635)
793 706	840 856	(47 150)	Waste Management	1 167 225	1 077 144	90 081
50 250	0	50 250	Cemetery	53 150	0	53 150
0	0	0	Water	0	0	0
3 895 305	3 737 494	157 811	Electricity	4 723 088	4 315 695	407 393
0	0	0	Sewerage	0	0	0
			Sub Total	18 713 973	17 740 876	973 097
0	0	0	Less: Inter-Dep Charges			
14 490 167	13 915 803	574 364	TOTAL	18 713 973	17 740 876	973 097

EXPLANATORY NOTES: APPENDIX D

This is a segmental income statement. The standard GFS classifications set out in the Budget Reforms have been used. However, the segments used can be the organisational structure of the Municipality.

MTHONJANENI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2005

REVENUE	2005	2005	2005	2005	<u>Explanation of Significant Variances</u> greater than 10% versus Budget
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	
Property rates	2 901 002	3 018 900	(117 898)	3.9	
Property rates - penalties imposed and collection charges	214 609	110 000	104 609	95	Due to Financial Constraints
Service charges	4 564 744	4 460 000	104 744	2.3	
Rental of facilities and equipment	300 996	291 000	9 996	3.4	
Interest earned - external investments	941 091	680 000	261 091	38	Procurement Planning
Fines	149 504	610 000	(460 496)	75	Traffic Officers on 6 months training/Resignation of staff
Licences and permits	1 572 952	1 810 000	(237 048)	13	
Income for agency services	0	0	0	0	
Government grants and subsidies	7 684 719	7 713 000	(28 281)	.4	
Other income	384 356	343 560	40 796	11.87	Various
Public contributions, donated/ contributed					
Gains on disposal of property, plant and equipment					
Total Revenue	18 713 973	19 036 460	322 487	1.69	
EXPENDITURE					
Employee related costs	5 932 224	6 193 310	(261 086)	4.2	
Remuneration of Councillors	641 389	832 500	(191 111)	23	Budgeted for a larger increase. 1 Councillor passed away
Bad debts	65 000	65 000	0	0	
Collection costs	21 748	20 000	1 748	0	More debtors were handed over to attorneys
Depreciation	0	0	0	0	
Repairs and maintenance	1 005 721	1 036 700	(30 979)	3	
Interest on external borrowings	0	0	0	0	
Bulk purchases	7 712 930	7 307 834	405 096	5.5	
Contracted services					
Grants and subsidies paid	721 856	721 856	0	0	
General expenses - other (including abnormal expenses)	1 515 008	2 670 600	(1 155 592)	76	Due to under collection of revenue protection services
Contributions to/ provisions	125 000	125 000	0	0	
Loss on disposal of property, plant and equipment					
Total Expenditure	17 740 876	18 972 800	(1 231 924)	6.49	
NET SURPLUS / (DEFICIT) FOR THE YEAR	973 097	63 660	(909 437)		

APPENDIX F STATISTICAL INFORMATION

2004	2005
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GENERAL STATISTICS

Population	56 000	56 000
Registered Voters	18 757	18 757
Area (km2)	1 008 km2	1 008km
Total Valuations:		
Non Rateable (R000)	7 220	7 374
Rateable (R000)	102 029	101 877

Valuation date : 1 July 1997		
Number of Properties : Residential	2 079	2 079
Commercial	91	91
Assessment Rate : Basic (Per Rand) = Land	c/R	6.98c/R
= Building	c/R	2.47c/R
Rebate : Residential	0.90%	0.80%
Number of Employees	70	69

ELECTRICITY STATISTICS

Units (KWH) Purchased (000)	13 223	13 440
Units (KWH) Sold (000)	12 043	12 436
Units (KWH) Lost in Distribution + Street Lights(000)	1 180	1 004
Percentage Lost in Distribution	8.90%	7.47%
Cost per Unit Sold	21 c	20 c
Income per Unit Sold	28 c	29 c

APPENDIX G

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

[illegible]

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.